

Message Text

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ACTION OPIC-06

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UNCLAS ANKARA 1454

FOR OPIC, FELTON JOHNSTON

E.O. 11652: N/A

TAGS: EINV

SUBJ: OPIC INVESTMENT INSURANCE FOR DOLLAR DEPOSITS IN
TURKISH COMMERCIAL BANKS

REF: A) 75 ANKARA 0148 B) 76 ANKARA 4483

C) 75 ANKARA 8898 D) STATE 014656 E) FELTON JOHNSTON LETTER OF
JANUARY 3, 1977

1. PROCEDURE AGREED WITH GOT AS CONSTITUTING TURKISH GOVERN-
MENT APPROVAL OF AN INVESTMENT FOR OPIC INVESTMENT INSURANCE
PURPOSES (REF A) WOULD NOT APPLY WITH REGARD TO GOT
APPROVAL OF "LOANS" (DEPOSITS) UNDER CONVERTIBLE LIRA DEPOSIT
SCHEME. FURTHER, FGA PROCEDURE OUTLINE REF B DOES
NOT APPLY TO CONVERTIBLE LIRA DEPOSIT SCHEME.

2. LIRA DEPOSIT GUARANTY SCHEME WAS REINSTITUTED BY
GOT IN 1975 IN ORDER TO OBTAIN INFLOW OF EUROMONEY TO HELP
FINANCE BLANCE OF PAYMENTS DEFICITS. UNDER SCHEME, FOREIGN
EXCHANGE OBTAINED FROM ABROAD MUST BE TURNED OVER THE CEN-
TRAL BANK. CENTRAL BANK DEPOSITS 20 PERCENT OF LIRA
EQUIVALENT IN COMMERCIAL BANK RESERVES AND GIVES OTHER 80
PERCENT IN LIRA TO TURKISH COMMERCIAL BANK FOR RELENDING
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TO CUSTOMER. INTEREST RATE AT WHICH FOREIGN LENDING INSTI-
TUTION COULD BE REIMBURSED WAS SET AT MAXIMUM 1.75 PER-
CENT OVER LIBOR. TURISH MINISTRY OF FINANCE, UNDER
LEGISLATION SETTING UP SCHEME, WAS AUTHORIZED TO GUARANTEE
AVAILABILITY OF FOREIGN EXCHANGE TO REPAY LOANS EXTENDED TO
TURKSIH PRIVATE INSTITUTIONS AT RATE OF EXCHANGE PREVAILING
WHEN LOAN ENTERED TURKEY.

3. IN GENERAL, VAST BULK OF CONVERTIBLE LIRA DEPOSITS ARE SHORT-TERM FUNDS (UNDER TWO YEARS), USED BY PRIVATE SECTOR AS WORKING CAPITAL AND AS IMPORT FINANCING. WHILE SOME DEPOSITS COULD BE CONSIDERED "PROJECT" LOANS, THIS WOULD USUALLY INVOLVE UNWRITTEN UNDERSTANDING BY AMERICAN BANK, TURKISH COMMERCIAL BANK, AND TURKISH BORROWER THAT A) ORIGINAL DEPOSIT BE "TIED" TO SPECIFIC PROJECT OR IMPORT TRANSACTION AND B) THAT INITIAL SHORT-TERM DEPOSIT WILL BE ROLLED OVER WHEN IT BECOMES DUE.

4. EMBOFF DISCUSSED REGULATIONS AFFECTING CONVERTIBLE LIRA DEPOSITS WITH MUZAFFER HICYILMAZ, FOREIGN EXCHANGE DEPARTMENT, CENTRAL BANK. HICYILMAZ CONFIRMED OUR UNDERSTANDING THAT A) LEGISLATION SETTING UP CONVERTIBLE LIRA DEPOSIT SCHEME DOES NOT PERMIT TIED PROJECT LOANS AND B) FOREIGN DEPOSITOR GETS NO DOCUMENT OR LETTER FROM MINISTRY OF FINANCE OR CENTRAL BANK APPROVING DEPOSIT CONDITIONS OR "PROJECT" TO BE FINANCED. RATHER, FOREIGN DEPOSITOR CAN, IF HE WISHES, GET A LETTER FROM TURKISH BANK INVOLVED, GUARANTEEING TURKISH LIRA EQUIVALENT OF LOAN, AND REFERRING TO MOF AND CENTRAL BANK REGULATIONS WHICH PROVIDE FOR EXCHANGE-RATE GUARANTEE.

5. HICYILMAZ ALSO STATED THAT TURKISH INSTITUTION THAT OBTAINS CONVERTIBLE LIRA DEPOSIT DOES NOT HAVE PRIORITY IN CENTRAL BANK ALLOCATION OF FOREIGN EXCHANGE. INSTEAD, CENTRAL BANK ALLOCATES FOREIGN EXCHANGE BASED ON PRIORITIES ASSIGNED TO SPECIFIC PROJECTS OR TRANSACTIONS.

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6. IT APPEARS TO US THAT LIRA DEPOSIT GUARANTY SCHEME WOULD HAVE DIFFICULTY IN MEETING OPIC'S MINIMUM CONDITIONS OF ELIGIBILITY FOR INVESTMENT INSURANCE. OPIC WILL RECALL LENGTHY DELAYS ON PART OF GOT MINISTRY OF FOREIGN AFFAIRS AND MINISTRY OF FINANCE IN RESPONDING TO EMBASSY ATTEMPTS TO DETERMINE PROCEDURE FOR FOREIGN GOVERNMENT APPROVAL (FGA) FOR IPIC INVESTMENT INSURANCE PURPOSES REFS A AND B). MUCH OF THIS DELAY WAS BASED ON GOT LACK OF ENTHUSIASM FOR FOREIGN PRIVATE INVESTMENT, ITS UNFAMILIARITY WITH OPIC PROCEDURES AND WITH INTEREST OF U.S. INVESTOR IN OBTAINING OPIC INSURANCE COVERAGE, AND DIFFERING INTERPRETATION BETWEEN GOT AND OPIC AS TO WHAT CONSTITUTES "INVESTMENT" (REF C). COMPLEXITY OF LIRA DEPOSIT GUARANTY SCHEME WOULD ALMOST CERTAINLY REQUIRE LENGTHY DETAILED DISCUSSIONS WITH GOT AS TO WHAT WOULD CONSTITUTE FGA IF IN FACT OPIC DECIDES TO GO AHEAD WITH PLANS TO INSURE U.S. DEPOSITORS UNDER CONVERTIBLE LIRA DEPOSIT SCHEME. NEVERTHELESS, EMBASSY WILL BE HAPPY TO PROCEED FURTHER TO

ATTEMPT DETERMINE WHAT MIGHT CONSTITUTE APPROPRIATE FGA, IF OPIC WOULD CONSIDER IT USEFUL.

7. TO ASSIST OPIC IN EVALUATING SCHEME, WE ARE POUCHING COPIES OF TURKISH LEGISLATION AND EMBASSY REPORTS ON LEGISLATION SETTING UP THIS FACILITY (FOR FELTON JOHNSTON). IN INTERIM, HOWEVER, WE HAVE PROVIDED THE ABOVE COMMENTS TO ASSIST OPIC IN ITS PRELIMINARY EVALUATION OF APPLICATIONS THAT MAY BE MADE BY US "INVESTORS" UNDER CONVERTIBLE LIRA DEPOSIT SCHEME.
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Message Attributes

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Control Number: n/a
Copy: SINGLE
Sent Date: 25-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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